

Message Text

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ACTION COME-00

INFO OCT-01 EA-12 ISO-00 AGRE-00 CIAE-00 EB-08 INR-10
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FM AMEMBASSY MANILA
TO SECSTATE WASHDC 3930

UNCLAS SECTION 1 OF 3 MANILA 5395

E.O. 11652: NA
TAGS: BEXP, XB, SM, XT
SUBJ: FOOTWEAR MARKET BRIEF

REFS: A. STATE 043952, B. MANILA 3332

1. SUMMARY: ALL NON-RUBBER FOOTWEAR IS BANNED FROM IMPORTATION INTO PHILIPPINES. A HANDFUL OF DEPARTMENT STORES ARE EXEMPTED FROM BAN, BUT ARE NOT INTERESTED IN US SHOES BECAUSE OF HIGH COST, 100 PERCENT DUTY, AND LIMITATIONS ON THEIR USE OF FOREIGN EXCHANGE. SHOE PRODUCTION IN PHILIPPINES IS GROWING, AND EXPORTS OF SHOES ARE ENCOURAGED, THE MAJOR BOTTLENECK BEING INADEQUATE AND EXPENSIVE SUPPLY OF RAW MATERIALS. WITH THE PRESENT DEVELOPMENT OF LOCAL SHOE INDUSTRY, BAN ON FOOTWEAR IMPORTS, 100 PERCENT DUTY, AND RELATIVELY HIGH PRICE OF US SHOES, THE MARKET FOR US FOOTWEAR IN THE PHILIPPINES IS LIKELY TO REMAIN CLOSED FOR QUITE SOME TIME. END SUMMARY.

2. ALL NON-RUBBER FOOTWEAR PRODUCT GROUPS LISTED IN REFTTEL A ARE BANNED FROM IMPORTATION IN THE PHILIPPINES, HOWEVER, THREE DEPARTMENT STORES, RUSTANS, SHOEMART, AND GOOD EARTH, ARE EXEMPTED BY CENTRAL BANK FROM THIS BAN DUE TO A VARYING COMBINATION OF TOURIST-ORIENTATION, POLITICAL INFLUENCE, AND FOREIGN EXCHANGE EARNING CAPABILITY. THEY
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MAY SPEND ONLY 20 PERCENT OF THE FOREIGN EXCHANGE THEY EARN, FOR THE IMPORTATION OF ALL BANNED ITEMS, SHOES BEING ONLY ONE OF A NUMBER OF BANNED CONSUMER ITEMS. THE SHOES ARE ALSO SUBJECT TO A 100 PERCENT IMPORT DUTY.

3. BECAUSE OF THESE CIRCUMSTANCES, COUPLED WITH THE MOUNTING COST OF AMERICAN SHOES, TWO OF THESE STORES

CARRY ONLY A SMALL NUMBER OF US SHOES, AND THIRD, GOOD EARTH, SELLS NONE. IMPORTED SHOES ARE WHAT ONE SHOE STORE OWNER CALLED "IMAGE ITEMS" - SHOES SOLD TO ENHANCE THE IMAGE OF THE STORE, BUT WHICH DO NOT MAKE MONEY. THESE BARRIERS TO IMPORTATION, USED TO PROTECT FOREIGN EXCHANGE RESERVES AND DEVELOPING SHOE INDUSTRY, WILL NOT BE DISMANTLED IN THE NEAR FUTURE.

4. THE DOMESTIC SHOE INDUSTRY, THOUGH BURDENED WITH A NUMBER OF PROBLEMS, HAS A GREAT DEAL OF POTENTIAL. SUPPLY OF TANNED LEATHER AND OTHER RAW MATERIALS IS THE GREATEST PROBLEM FACING THE INDUSTRY. TANNED LEATHER IS PRESENT DUTIABLY AT 70 PERCENT AND LOCAL TANNING IS OF POOR QUALITY AND SMALL QUANTITY. THD SHOE INDUSTRY IS PRESENTLY PUSHING FOR REDUCTION OF THE DUTY TO 25 PERCENT, WHICH SHOULD ALLEVIATE THIS DEBILITATING BOTTLENECK. OTHER PROBLEMS ARE UNDERCAPI-TALIZATION -- 80 PERCENT OF PHILIPPINE SHOE FACTORIES HAVE CAPITALIZATION LEVELS UNDER P50,000 (APPROXIMATELY \$7,000) -- AND A NEED FOR UPGRADING OF SKILLS.

5. THESE PROBLEMS ARE NOT INSURMOUNTABLE, AND THE LARGE DEMAND FOR SHOES IN THE DOMESTIC MARKET SHOULD SOON LEAD TO A RAPID DEVELOPMENT IN THE INDUSTRY. ALSO CHEAP LABOR WILL MAKE PHILIPPINE SHOES PRICE COMPETITIVE INTERNATIONALLY, ALTHOUGH IT IS NOT EXPECTED THAT UNCLASSIFIED

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PHILIPPINE FOOTWEAR EXPORTS WILL APPROACH THE MAGNITUDE OF THOSE OF TAIWAN AND KOREA IN THE NEAR FUTURE. OF COURSE, AS THE LOCAL SHOE INDUSTRY INCREASES PRODUCTION AND UPGRADES QUALITY, THE POTENTIAL DOMESTIC MARKET FOR US SHOES WILL DIMINISH TO AN EVEN GREATER DEGREE.

6. THE PHILIPPINES IS A DEVELOPING COUNTRY WITH A PER CAPITA INCOME OF ABOUT \$407. OUT OF A POPULATION IN 1977 OF APPROXIMATELY 45 MILLION, SOME 80 PERCENT WEAR ONLY SANDALS OF RUBBER, STRAW, OR WOOD. IN 1975, ANNUAL DOMESTIC DEMAND FOR LEATHER SHOES WAS ESTIMATED AT 5 TO 6 MILLION PAIRS, AND IS CERTAINLY GROWING. IT IS DIFFICULT, HOWEVER, FOR US SHOE EXPORTERS TO TAKE ADVANTAGE OF THIS INCREASE DUE TO PRICE COMPE-TITION -- AMERICAN SHOES MARKED UP SOME 150 PERCENT (INCLUDING DUTY) CANNOT COMPETE AGAINST LOCAL SHOES WHICH RANGE FROM \$6 TO \$20 IN PRICE. AMERICAN SHOES ARE ALSO AT A DISADVANTAGE VIS-A-VIS IMPORTED EUROPEAN SHOES BECAUSE OF ROUNDED SHAPE OF EUROPEAN FEET WHICH CORRESPONDS MORE CLOSELY TO THE FILIPINO FOOT SHAPE. FOR EXAMPLE THE MOST POPULAR IMPORTED SHOE TODAY IS BALLY, MANUFACTURED IN SWITZERLAND, ALTHOUGH EVEN THE

MARKET FOR THIS FAD IN SHOES (SELLING FOR ABOUT \$100
A PAIR) IS LIMITED.

7. FOLLOWING ARE SOME GENERAL STATISTICS ON THE
INDUSTRY AND MARKET IN THE PHILIPPINES. COMPLETE
DATA ARE NOT AVAILABLE AND BECAUSE OF THE SMALL
NUMBERS INVOLVED IN MOST CASES, PRODUCT GROUP BREAK-
DOWN IS NOT FEASIBLE.

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I. DOMESTIC PRODUCTION

1974

	VALUE (PESO)	
	QUANTITY	P7.35 EQUALS \$1.00
	-----	-----
MENS	286,900	12,750,000
LADIES	202,300	6,466,000
CHILDREN	134,800	2,547,000
OTHER/	341,300	2,214,000

/ - OTHER INCLUDES SLIPPERS, SANDALS, AND STEP-INS

1975

	VALUE (PESO)	
	QUANTITY	P7.35 EQUALS \$1.00
	-----	-----
MENS	N.A.	14,778,705
LADIES	N.A.	12,803,261
CHILDREN	N.A.	3,927,728
OTHER/	N.A.	4,3202,145

/OTHER INCLUDES SLIPPERS, SANDALS, AND STEP-INS.

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II. PHILIPPINE IMPORTS OF NON-RUBBER FOOTWEAR BY COUNTRY

A. FOOTWEAR WHOLLY OR MAINLY OF LEATHER

1975

	QUANTITY	VALUE (US \$)
US	8	117
HONG KONG	-	--
ROC	65	275
AUSTRALIA	12	87
TOTAL	85	479

1976

	QUANTITY	VALUE (US \$)
US	2	61
HONG KONG	747	3490
ROC	--	--
AUSTRALIA	--	--
TOTAL	749	3551

B. SPORTS FOOTWEAR MAINLY OF LEATHER (1975-NO IMPORTS)

1976

	QUANTITY	VALUE (US \$)
US	108	2967
SINGAPORE	10	169

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PRC	1300	4838
WEST	--	--
GERMANY		
ROC	--	--
SWEDEN	--	--

TOTAL 1418 7974

1977

QUANTITY VALUE (US \$)

US	400	3467
SINGAPORE	--	--
PRC	--	--
WEST GERMANY	716	6734
ROC	898	4988
SWEDEN	1	34
---	---	---
TOTAL	2015	15223

III. PHILIPPINE EXPORTS OF NON-RUBBER FOOTWEAR

YEAR	QUANTITY	VALUE (US \$)
---	-----	-----
1975	1,418,311	3,102,155
1976	2,743,589	4,853,702

IV. RETAIL PRICE RANGE OF SHOES (\$)

MENS 10 - 20
WOMENS 6 - 14
CHILDREN 5 - 8

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V. BASIC LEATHER SHOE INDUSTRY STATISTICS

A. NUMBER OF FIRMS: 769

B. LARGEST FIRMS: ANNUAL CAPACITY:

-----	-----
1. ANG TIBAY	1,000,000

CALOOCAN CITY
METRO MANILA

- | | |
|-----------------------------|-----------|
| 2. INTEGRATED SHOE, INC. | 1,000,000 |
| EPZA, MARIVELES, BATAAN | |
| (SUBSIDIARY OF ANG TIBAY | |
| - EXPORT ONLY) | |
| | |
| 3. LOTUS EXPORT SPECIALIST, | 1,800,000 |
| INC. | |
| EPZA, MARIVELES, BATAAN | |
| (EXPORT ONLY) | |
| | |
| 4. SANTA ANA AND SONS, INC. | 1,000,000 |
| QUEZON CITY, METRO MANILA | |
| | |
| 5. STAR SHOE CORP. | 300,000 |
| | |
| 6. VALLEY SHOE FACTORY | 600,000 |

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C. NUMBER OF WORKERS EMPLOYED IN INDUSTRY: 10,000

NOTE: 6,289 OF THESE WORKERS ARE LOCATED IN THE TOWN
OF MARIKINA, SHOE-MAKING CENTER OF THE PHILIPPINES. MARIKINA IS
LOCATED WITHIN METRO MANILA.
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Status: NATIVE
Subject: FOOTWEAR MARKET BRIEF
TAGS: BEXP, XB, SM, XT
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